

# DAIRY INSTITUTE *of California*

October 20, 2003

Mr. John Lee, Chief  
Milk Pooling Branch  
California Department of Food and Agriculture  
1220 N Street  
Sacramento, CA 95814-5621

RE: Alternative Proposal to Amend the Milk Pooling Plan

Dear Mr. Lee:

The attached extracts from the current Pooling Plan For Market Milk reflect Dairy Institute's proposed amendments to the plan. This alternative proposal is in response to the Notice of Public Hearing dated October 7, 2003. The Department of Food and Agriculture called the hearing in response to a petition from the Alliance of Western Milk Producers.

## Summary of Dairy Institute's Proposal

Dairy Institute's position is that the opportunity for plants to depool for the purpose of taking advantage of short-term pricing changes should be curtailed. To this end, we are proposing that plants be allowed to elect to change their pool status only once in any given 12-month period. Dairy Institute continues to oppose the expansion of mandatory pooling into classes that are currently required to be pooled. Our organization opposes any attempt to address opportunistic depooling which would result in *de facto* mandatory pooling of milk used in the manufacturing Class 4a, Class 4b, Class 3 or non-mandatory Class 2 products.

## Proposed Changes to the Milk Pooling Plan

Add the following language to Section 106 of the Pooling Plan for Market Milk:

*Section 106 (d). Any pool plant which does not process Class 1 or mandatory Class 2 products may elect to change its pool status to that of "nonpool plant" for pool accounting purposes. After electing to change its pool status, the plant will remain a nonpool plant for a minimum of 12 consecutive months.*

*Any nonpool plant may become a pool plant by meeting the requirements for pool plant designation as set forth in this Section. Once a nonpool plant has attained pool plant status, it may not elect to become a nonpool plant until it has been a pool plant for a minimum of 12 consecutive months.*

Dairy Institute believes that this amendment will remove the incentive to depool milk based on short-term price changes and will address the concerns cited by the Alliance of Western Milk Producers in its petition. While our amendments will limit opportunistic depooling by manufacturing plants, they will not interfere with the ability of plants and producers to make long-term choices that would impact their pool status.

Sincerely,

William Schiek  
Economist